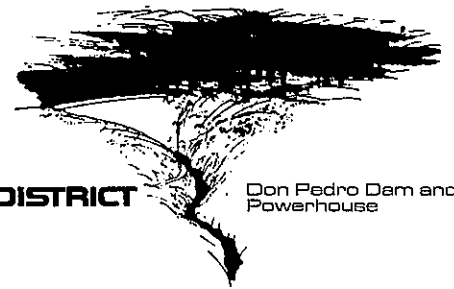


**TURLOCK IRRIGATION DISTRICT**

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Don Pedro Dam and
Powerhouse

January 2, 2004

Mr. Tom Carter
Operations Manager
Western Area Power Administration
Sierra Nevada Region
114 Parkshore Drive
Folsom, CA 95630-4710

Dear Mr. Carter:

The Turlock Irrigation District (Turlock) submits the following comments in response to the Western Area Power Administration (Western), Sierra Nevada Region Federal Register Notice of December 2, 2003 (FR Doc. 03-29984). We appreciate the opportunity to participate in Western's evaluation of post 2004 operating options.

Turlock is an irrigation district organized under the California Water Code and is engaged, among other things, in generating, transmitting, and distributing electric power in a service area that covers 662 square miles in portions of Stanislaus, Merced, Tuolumne and Mariposa counties. Turlock serves over 82,900 customers and, at peak, delivers over 400 MW to its retail consumers. Turlock is one of Western's preference power customers and will provide services to two additional Western customers, Patterson Irrigation District and Merced Irrigation District. As such, Turlock will be directly impacted by the course of action taken by Western in response to the expiration of the PG&E 2948A contract on December 31, 2004.

As a preface to Turlock's specific comments, Turlock supports the comments provided by both the Transmission Agency of Northern California (TANC) and the Northern California Power Agency (NCPA).

While Turlock supports the majority of the analysis outlined in the December 2, 2003 Federal Register Notice (FRN), Turlock believes Western needs to be even more vigorous in pursuing its next steps. To that end, Turlock has the following specific recommendations for Western as it moves forward:

- Western should continue to pursue the Federal Control Area (FCA) option in order to, at a minimum, protect Western's negotiating position as it pursues contract-based sub-control area options with the California Independent System Operator (ISO) and the Sacramento Municipal Utility District (SMUD).
- Western must adopt, and subsequently enforce, an aggressive schedule that will permit the testing of information systems and business processes associated with the final preferred option prior to the expiration of the PG&E 2948A contract.



- It is imperative that Western establishes a timely mechanism to keep all customers informed of the progress of sub-control area negotiations and to allow customers the opportunity to provide real-time feedback during those negotiations.

Each of these recommendations is presented in greater detail below:

Western Should Continue to Develop a Federal Control Area

Turlock notes that the analysis provided in the FRN has already indicated that formation of a FCA is the only option that meets all of the criteria developed by Western. The FRN further states that a sub-control area within SMUD's control area "appears" to meet Western's criteria, and that a sub-control area within the ISO would be considered "*if* Western were able to develop a contractual agreement with the ISO...and *if* the contractual agreement contained terms and conditions which would not change." (emphasis added)

Western's proposed action in the FRN is to initiate discussions with the ISO and SMUD about a contract-based sub-control area and to not form a FCA, despite an admission that the contract-based sub-control area alternatives lack sufficient information to be evaluated while the FCA meets all the evaluation criteria.

In light of the uncertainty around the contract-based sub-control area options and the certainty of the ability of the FCA option to meet Western's criteria, Turlock posits that the only truly prudent course of action is to continue to develop the FCA while pursuing discussions with SMUD and the ISO. To suspend development of the FCA is to place Western in a negotiating position where the outcome is either a sub-control area agreement with SMUD or the ISO or the No Action alternative, which Western has already correctly dismissed in the FRN. Such a position would be anything but prudent, as it would reduce Western to a choice between whatever terms the control area operator places on the table or an alternative that has already been dismissed as unacceptable. Continuation of FCA development efforts would shift this scenario to one in which Western's choice is between the FCA, which has already been identified as meeting all of Western's criteria, or execution of a contract-based sub-control area agreement, which, in order to be selected, would be equal to or better than the FCA option and thus also fulfill Western's criteria.

Turlock suggests that Western submit its FCA filing to the WECC on February 1, 2004 in order to ensure that the ultimate post 2004 operating paradigm be one that meets the evaluation criteria Western has already established.

Western Must Establish and Adhere to an Aggressive Schedule

Given the magnitude of the operational changes facing Western and the fixed deadline of December 31, 2004 for the implementation of these changes, time is clearly of the essence in whichever path Western chooses. While both the FCA and the contract-based sub-control area options involve similar systems and staffing levels, it will still be necessary to have these systems in place and tested in parallel to existing systems prior to the switchover. Western must be firmly committed to any implementation schedule they may choose to adopt, as it is clearly unacceptable to slip past December 31, 2004 and spend any time operating under the No Action alternative.

In order to facilitate as smooth a transition as possible and accommodate the current uncertainty over the final operating paradigm, Turlock suggests the following schedule:

- By January 25, 2004, Western should assess which negotiations, if any, have made satisfactory progress towards meeting Western's evaluation criteria and, to the extent that progress is demonstrable, be prepared to sign a Letter of Commitment with the successful party by February 29, 2004.
- As mentioned previously, Western should submit its FCA filing to the WECC on February 1, 2004, regardless of the status of sub-control area negotiations, in order to maintain a favorable negotiating position.
- Execute a durable contract-based sub-control area agreement by April 1, 2004, provided that the final form of that agreement meets or exceeds the FCA option with respect to Western's evaluation criteria.
- Implement the durable sub-control area or the FCA by August 1, 2004. Adherence to this date will enable Western to run the new operational systems and business processes in parallel with existing systems and processes while allowing sufficient time to reconcile any issues prior to the transition on December 31, 2004.

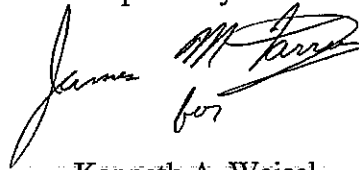
It Is Imperative That Western Create a Mechanism for Customer Feedback

Turlock believes that it is very important that Western establishes a timely mechanism to keep customers informed throughout the negotiation process. Given the differences between many of Western's customers, it is not practical to expect Western's negotiators to fully assess the impacts of any proposal on individual customers. The creation of a mechanism to provide customers with timely information will allow for greater customer input into the negotiation process as well as allow greater time for customers to develop their own implementation strategies as the post 2004 operating environment gains greater clarity.

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Again, Turlock appreciates the opportunity to participate in Western's evaluation of post 2004 operational alternatives and urges Western to continue to adhere to the evaluation criteria that have been used since the inception of this process.

Respectfully Submitted,

 Acting A GM

Kenneth A. Weisel
Asst. General Manager – Energy Resources